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ESSAYS

Energy Security in Russia – EU Partnership

Klemen Grošelj

Abstract: *In this article our aim is to reflect on complex and multidimensional relations between EU and Russia, with special focus on energy relations which seems to be in the heart of this quite peculiar economic interdependence. To do this it is necessary to look at a wider aspect of EU – Russia relations with special attention and exposure of different perceptions on mutual relations. Descending from this wider frame of mutual relations the main analysis is focused on question if EU – Russia and to some extent even EU member states – Russia relations, are based on idea of cooperation or competition. Since the focal point is energy security the article is trying to define energy security from different point of views, because the perception and definition of energy security is not the same for EU, Russia or transit states for Russian energy. Nevertheless the energy security issue is most pressing for EU and its member states, due to presented statistical date on growing dependence of EU on import of energy in general and with special emphasize to its growing dependence on Russian energy resources. Article is trying to present major challenges laying ahead for EU and Russia in their energy cooperation in the frame of different future scenarios of global energy market development.*

Keywords: *EU, Russia, energy, energy security, energy dependence, Russia – EU partnership*

Introduction

The worldwide rise of energy prices in the past few years, influenced, among other factors, by political and military tension in the Middle East and the Gulf, has also affected the EU. In light of the mounting tension between Russia and former Soviet transit countries, fierce discussions on energy security in the EU have been further exacerbated by rising EU energy dependence on imports from Russia. Even though the price of energy fell substantially with the beginning of the global recession, the question of the reliability of energy supply from Russia was further raised by the last gas war between Russia and Ukraine in January 2009. It was not the first time that the question of the reliability of Russia as an energy supplier had been addressed in the EU, but it was the first time that many countries in the EU suffered a shortage of gas supplies which affected their economies and societies as

a whole. Further, the question of energy imports from Russia became a strategic political question in the EU, and this will become even more important as the EU, in the process of its own enlargement, approaches the borders of the former Soviet Union and Russia. The summer war of 2008 in Georgia proved the relevance of this issue and the interplay of energy and EU expansion very plainly and, unfortunately, violently. The aim of this article is to present the comprehensive complexities of Russian-EU relations in light of so-called energy security. The starting point of the analysis is the general frame of these relations and crucial points of both entities in regard to wider European security and stability. This will be followed by an analysis of the energy policy options available to both the EU and Russia with the aim of establishing a future policy acceptable to both sides.

Regardless of all the uncertainties of the last few years, the EU has become almost as strong economically as the US (Walker, 1999). It has, however, lagged behind in the field of expressing a credible and common EU foreign policy message. In other words it still acts more as a group of states than a global player in a modern international community. In parallel with its growing economic strength, the EU has identified the need for strengthening its political and security integration within its Member States, which would make it possible for the EU to forge mutual relationships with non member states. The result is the EU Common Foreign and Security Policy (CFSP) on one hand and a wide range of agreements between the EU and crucial non-member states on the other. One of these, which represent the foundation of EU-Russia cooperation, is the Partnership and Cooperation Agreement of 1997. This agreement is a reflection of the goals which Russia and the EU were trying to achieve in the 1990s. Its major aim was to create a true strategic partnership based on mutually shared interests and values in the frame of bilateral and multilateral cooperation. It was based on the idea of common values and aspirations. This agreement was also intended to be benevolent to Russia, especially since the aim was to strengthen the Russian economy and facilitate its modernization and integration in the global economy. Last but not least, this agreement aimed to enhance trust and cooperation in the field of security between the EU and Russia.

At the St. Petersburg Summit in May 2003, the EU and Russia agreed to create four 'common spaces' in the framework of the agreement: a Common Economic Space; a Common Space of Freedom, Security and Justice; a Space of co-operation in the field of External Security; and a Common Space for Research and Education, including Cultural Aspects. The overriding objective of all four Common Spaces was to strengthen the strategic partnership between the EU and Russia across a broad range of policy domains (Country Strategy Paper 2007-13; Russian Federation, 2007: 4-5). Furthermore, this agreement attempted to strengthen political, social and economic stability in the European region and also globally. In spite of

the progress and growth in trade, EU-Russia relations are strained by the ongoing crisis in the North Caucasus and also by EU concerns about the state and future development of democracy in Russia. In this context the last few EU-Russia Summits were burdened by the differences between both sides in many areas (moratorium on the implementation of the CFE-1A Agreement, tensions in South Caucasus...). Negative sentiment in the EU was also caused by other statements and actions by different high-ranking Russian officials and 'sabre rattling', all of which could hamper the progress of the aforementioned common spaces. Also, EU enlargement once again brought the problem of the so-called frozen conflicts in the CIS – corruption, organized crime, etc. – to the attention of the EU. One of the problems straining EU-Russia relations was the stalemate in negotiations for a new EU – Russia agreement. Negotiations were, due to a number of various different reasons, on hold, and only at the EU-Russia summit in Khanty – Mansiysk in 2008 was the fragile agreement on the start of the negotiations reached, and then put in jeopardy by the war in Georgia in August 2008. Even though the EU and Russia have a strategic framework of cooperation in the agreement from 1997, on which extension both sides agreed, the need for a new agreement is evident more than ever, due to the changed nature of relations in the world community and also between both partners, and especially since energy is spelled out as one of most important fields of mutual cooperation and economic development (see EU – Russia Summit: The start of New Age, 2008). The statement from this Summit also clearly expresses the interdependence between the EU and Russia in the field of energy and economic development, despite harsh rhetoric from the Russian side.

Besides political, cultural and economic reasons, energy is one of the reasons why the EU should not ignore or even block Russia. Instead it should create a more pragmatic policy towards Russia, based on the strict observation of European values and interests, but with a certain level of realism and pure pragmatism in regard to Russia. The EU must accept that in some areas the EU and Russia's interests are not necessary compatible, but we must still cooperate on many other issues of mutual interest. However, at this point we must say that the relations and cooperation between the EU and Russia are defined by the interaction of two levels of politics. The first level is composed of different common EU policies such as CFSP and EU-Russia agreements, while the second level consists of a mixture of various national policies. The differences between these two levels may sometimes have very positive, but also negative influences on EU-Russia relations. It should be clear to us that any differences between these two levels give the other side the upper hand in many ongoing negotiation processes.

If we now look at the Russian side of these relations we can see that the Russian policy towards the EU can be split into two periods. The first period was marked by

close and genuine Russian cooperation with the EU and the West in different areas of common interests. What was especially positive was the Russian perspective on EU CFSP, because this view was compatible with the so-called Primakov's doctrine of a multi-polar world, in which the EU should be one of many power centres. That is why Russian foreign policy saw CFSP as a step towards greater EU independence from the US; CFSP was seen as the counterweight to a NATO-centric Europe (Rontoyanin, 2002: 814). All these Russian expectations ended with the expansion of NATO, where NATO became the main security organization in Europe and CFSP was to a great extent dependent on its technical, organizational and other support. In response, Russia formed its so-called pragmatic foreign policy, which emphasises Russian interests and, in regard to the EU, favours bilateral relations with key Member States. The Russian Foreign Minister Lavrov (2007) describes this policy as multi-vector, stiff and non-confrontational in pursuing vital Russian national interests. The focus points of this policy are the major powers, which are of strategic importance to Russia, and which include EU Member States like Germany, France and the UK. With those states, Russia is trying to enhance cooperation in different areas, energy being the dominant one, especially outside the EU framework. But at the same time Russia is cooling down its relations with other EU Member States (Poland, the Baltic States, etc.). Besides, Russia increasingly perceives EU enlargement as a source of the strengthening of anti-Russian forces in Europe and the CIS and it has also created a public perception of Russian policies as non-European and even as anti-European (Karaganov, 2007a). Even though we cannot describe relations between the EU and Russia as pure power play, there are some aspects which point out that the Russian perception at least is based on a realist security paradigm of power play for areas of influence. Russia sees the EU (particularly in terms of EU neighbourhood policy and relations with former SU states) as a possible competitor for influence in the areas of vital Russian interest; especially in the unacceptable Caspian-Caucasus region and Central Asia. As such, Russia is especially worried by EU claims that Russia is not a reliable energy supplier and that the EU needs new gas and oil pipelines bypassing Russia (Karaganov, 2007b). This is becoming the main reason why energy issues are at the heart of EU-Russia relations.

EU-Russia energy dialogue or competition?

Since the focal point of the EU-Russia dialogue is energy security, it is necessary to define what energy security is. But beforehand we should look at what security is in general. Energy security is based on the importance of energy for the comprehensive economic life and functioning of the modern societies. This is the reason why energy security is perceived as (Johnson, 2005: 256) what and how much of a risk is connected to a certain energy supplier and/or energy source. The modern EU

understanding of energy security can be defined as (European Commission, 2004) „*managing demand, diversification of energy sources by using renewable sources, creation of a streamlined internal energy market and controlling external supply by reaching special relations with supplier countries*«, while the Final report in the Green Paper »Towards a European strategy for the security of energy supply« defines energy security as (European Commission, 2002) »*ensuring diversification by energy source, supply countries and supply routes is widely seen as the key response to growing import dependence*«. This security is subdivided into long-term security (stable energy policy within the EU and between the EU and energy supplying countries) and short-term security (capability of avoiding cuts in energy supplies resulting from extraordinary circumstances). In this respect, Johnson (2005: 257) identifies two risks to EU energy security: increase in consumption, and risks not directly related to energy sources. On the other hand, Spajner (2007: 2890) defines energy security as system security, which includes having a stable energy supply in requested quantities in the present as well as in the foreseeable future. Regardless of all efforts we cannot avoid energy dependence, because this dependence is the result of available energy sources, transit routes and their capacities under acceptable price. We can now define energy security as the security of sufficient quantities of energy at economically acceptable prices, from different and dispersed sources and transit routes. At this point it is important to stress that there is no unified EU definition of energy security for all member states, which still have their own national definitions and, unfortunately for the common EU energy market, also national energy policies, which are not necessarily in line with EU policy. Saying that, it is also true that after the events involving Russian gas in 2009 all EU member states become aware of a need for more unified energy security policy and above all of a need for lowering its energy dependence on one energy source and supplier.

The aforementioned definition is viable mainly for the EU, while on the side of the non-EU member states, especially for s.c. transit states for Russian gas and oil intended for EU markets and for Russia itself, the understanding of energy security is different. For states like Ukraine, Belarus and to certain extent also Turkey, which is becoming an important transit country for Russian energy to EU markets, the question of energy security is a twofold issue. One issue is access to energy sources at a reasonable price for its national needs. This is especially relevant for countries like Ukraine and Belarus whose economies depend heavily on energy at below market prices. Secondly, for these countries energy security is also composed of security of transit of energy from Russia intended for EU markets, which represents important national income for transit states. Out of a total of 225 billion cubic meters of gas exported by Gazprom, 83 billion cubic meters flows across Ukraine and 35 billion cubic meters across Belarus. In total almost all gas intended for EU markets crosses either Ukraine or Belarus (Excessive Pipeline Projects of

Gazprom – 1). For these countries energy security is therefore composed of fulfilling national energy needs at an acceptable price (not necessarily market price), and of energy transport security. The balance of both is crucial not only for their economic development but also for their international political development and integration into a wider Euroatlantic space.

For Russia, energy security is mainly perceived as being a reliable energy supplier to its main foreign partners. This means providing sufficient amounts of energy to main export partners at the best possible price and a low transit cost. That is why the Russian state gas company Gazprom is trying to gain a dominant market position in EU energy market, and why it is trying not only to monopolize sources of energy, but also to control export routes. Energy security in Russia or at least in the Russian ruling elite is perceived not only as economic security, but also as a fundamental aspect of wider national security of the state, since energy exports and the related income are defined as the main development impetus for the whole Russian economy and state. The latter is evident from the series of strategic government documents on the development of the Russian economy in which the energy sector is defined as the engine of development of the Russian economy and society. The importance of energy exports is clearly seen in the fact that in 2005 it represented 63 per cent of all exports and 37 per cent of all state revenues (The Energy Security Series, 2006). This share will be in the face of the gloomy economic prospects for 2009 and worse to come (World Bank, 2009). As is evident from the new Russian National security strategy to 2020 (Strategija nacionalnoj bezopastnosti Rosssikoj Federacij do 2020 goda, 2008), the question of energy security in Russia will become more politicised and will be increasingly in the domain of Russian foreign and security policy

Energy security is as such a complex issue heavily dependent on whether the country is an exporter or importer of energy. However in both cases it is composed of the reliable extraction, transit and supply of energy at an acceptable or fair market price. In any other case energy security is endangered for all involved. As mentioned before, energy, especially natural gas and oil, is at the heart of EU-Russia cooperation. It is a cooperation based upon close interconnected dependence due to the fact that 60 per cent of Russia's total export is oil, 60 per cent of all exported Russian oil ends up on the EU markets and in 2008 this represented 33 per cent of all oil imported in the EU. In the case of natural gas, 50 per cent of all Russian natural gas is exported to the EU and this represents 42 per cent of all natural gas imported in the EU. In the case of coal some 42 per cent of all coal imported to the EU comes from Russia (European Commission, 2008).

In this respect CEE member states where dependence on imported gas is 70 per cent, 92 per cent of which comes from Russia, are even more exposed than average EU member states. Further, the trend of increasing oil and gas imports from Russia

and the general growing dependency on the importation of energy, together with the fact that some 6.3 per cent of world oil reserves are in Russia and, in case of gas Russia being (besides Iran and Qatar) one of the few countries with proven reserves above 2 per cent of world reserves (European Commission, 2008), is clearly forcing the EU to establish an EU-Russia energy partnership as a way to secure the energy security of both sides. In this respect, access to Russian energy resources from the EU point of view, and access to the EU market for Russia as an export country, is economically the most attractive and lucrative partnership. As Johnson (2005: 257-62) states, this is in line with two major strategies available to the EU in providing for its energy security and lowering its energy dependence. The first is to cut consumption by introducing new, mainly renewable energy sources, and finding new energy sources or energy suppliers. This is a viable long-term strategy, while the only short-term strategy is to foster close relations and partnerships with the main suppliers of energy to the EU. At the moment EU policy is based on a combination of both strategies, especially in relation to Russia, where the EU is trying to reach some kind of a mutually beneficial energy partnership. The main reason for this, as Johnson (2005: 264) concludes, is the growing EU dependence on gas imports from Russia, which is, on one hand, the result of a general trend of increasing EU dependence on energy imports, and on the other hand the result of a growing dependence on Russian gas and oil pipeline networks, which makes Russian energy sources more attractive to the EU. This trend is most obvious in gas imports where dependence on Russia has increased because the majority of new Member States depend heavily on imports from Russian gas pipelines. Even though pipelines are a very inflexible mode of energy transport and usually limit the choices of gas suppliers to one producer, they are still the most efficient form of gas transport available at the moment. This dependence cannot be overcome in the near future, because the construction of new pipelines is a demanding undertaking, both technically and economically. Besides, routing new pipelines is always a politically complex and intense process, which proves to be of great importance in EU-Russia relations. Today's pipeline network forces both sides to cooperate, as this network increases mutual interdependence. This will last at least until Russia constructs its pipeline network to the Far East (Far eastern pipeline) and/or until EU secures a pipeline connection to the Central Asia, bypassing Russia (project Nabucco). This is also the reason why the EU has been trying for almost a decade to formalize its energy relations with Russia with the Energy Charter, which Russia has declined to ratify on the grounds that it does not suit Russian energy interests.

Since these relations are not institutionalised to the extent the EU wants them to be, Correlje and van der Linde¹ (2006: 537-8) conclude that the EU is facing

¹ This is part of a wider and more detailed Study on Energy Supply Security and Geopolitics, available at: http://ec.europa.eu/comm/energy_transport/doc/2004_lv_ciep_report_en.pdf, 20/8/2007.

sudden and creeping supply gaps², which I will call gradual supply disruptions. Sudden disruptions are usually the consequences of political decisions or military conflict, technical failures or disasters. Gradual supply disruptions, on the other hand, are a result of processes which are not sudden or single events, and which demand long-term planning and searching for new sources and energy supply routes. In both cases the EU has to develop different strategies for confronting both types of disruption. However before defining these strategies, we must define two major scenarios for future developments in the global energy market, which will determine the nature of these EU strategies. The first strategy is called Markets and Institutions (MI), and the second is Regions and Empires (RE) (Correlje in Van der Linde, 2006: 535–6). I will label those two scenarios as realistic and liberal. The liberal scenario is optimistic and is based on the assumption of an intensive social, cultural and economic internationalisation and globalisation of markets and international relations. It is based on an idea of intensive cooperation among states and nations and envisages a multiparty state system which governs the international community and strengthens international institutions, and the liberalisation of markets and market forces in international trade and exchange. On the contrary, the realistic scenario has a pessimistic perspective on the future development of international political and economic systems. It envisages ideological, religious, regional and state-based partitions of the world. In this world different political, ideological, regional and strategic blocks are caught in fierce competition. Different national and regional security dilemmas limit international economic integration and all economic activities are heavily regulated. Since there is no global market for strategic commodities, their trade is based on bilateral trade agreements among states and blocks. This further strengthens different blocks with satellite regions joining the race for markets and energy sources. The nature of EU-Russia relations and especially the EU-Russia energy partnership depends on which scenario prevails or which assumptions are dominant in the international community. According to the realistic scenario, Russia and the EU will be two blocks competing for sources and arranging mutual trade with trade agreements, while in the liberal scenario the EU and Russia will gradually form a common space of free trade.

In the case of either scenario the EU should, according to Correlje in van der Linde (2006: 539–541), develop the following strategies to cope with possible disruptions of energy supply:

- a) *Prevention* (in the liberal scenario the aim is to strengthen the international institutions and energy markets; in the realistic scenario long-term bilateral trade agreements are crucial).

² It defines the following types of gaps: as a result of lack of investment climate and as a result of religious and ideological choice (Correl and van Linde /2006/).

- b) *Deterrence* (in the liberal scenario it is necessary to strengthen the role and powers of the UN and Security Council to enable them to enforce sanctions and authorize peace operations to solve different conflicts; while the realistic scenario is based on effective and strong military force).
- c) *Containment* (the liberal scenario does not envisage any crucial role for containment; in the realistic scenario this is a crucial mechanism of damage control).
- d) *Crisis management* is equally relevant for both scenarios and envisages the creation of strategic reserves of energy, regimes of reduced energy use, etc.

Regardless of different scenarios and strategies, the EU faces different options regarding its energy security. The first is to leave this issue to the individual Member States and their ability to achieve beneficial bilateral agreements with the producing countries, with or without any wider EU framework. The next option is to establish a comprehensive EU energy policy which will ensure that all Member States have a secure and stable energy supply. This will also benefit producing countries, because the agreement with the EU will grant them access to one of the biggest energy markets in the world. However this will be possible only if, as Correlje and van der Linde (2006: 542) claim, the EU develops an internal energy market capable of overcoming sudden and gradual supply disruptions using alternative energy sources and ensuring the necessary strategic stocks. Nevertheless, the EU must develop its own internal and external capabilities, which will enable it to materialise its energy vis-à-vis the producing countries. This also means that it is necessary to develop true EU military capabilities, independent of the US in many respects.

Another option in this respect is the creation of a regional energy market or EU-centric geo-energy space. Mane-Estrada (2006: 3774–3784) claims that the forming of a truly liberal global energy market is an illusion and that the only option is to create a common geo-energy space in which consumer, transit and producing countries cooperate to achieve optimum beneficial results for all participating countries. This would mean that the EU should try to create such a common geo-energy space together with Russia, the Caspian States and Turkey. This space would be regulated by multilateral agreements and above all by the mutual dependence of all participating countries. In this way all countries could fulfil their interests and aims without competition, insecurity and tension. However this would demand from every participating country the acceptance of an inclusive energy policy and that they try to avoid, as much as possible, narrow and exclusive national energy policies.

We must of course take into account the fact that Russia also has its own choices in creating its energy policy or, as Rutland (1999) said, development paradigms of energy policy. Rutland (1999) identifies the following:

- a) *Kuwaitization*: envisages the energy sector as the resource provider and starting point for the development of the Russian economy and society.
- b) *Liberalization*: in this paradigm the Russian energy sector should develop in accordance with market forces and without any state regulation or red tape.
- c) *Rent seeking*: in this paradigm the energy sector is controlled by small managerial-political elite, which seek rents and profits from the energy sector's monopolistic position in the exports of oil and gas.
- d) *Russian bear*: means state control over the energy sector, which makes Russia a great power with interests locally and abroad.
- e) *Pluralistic school*: a state in which rival groups compete for control over the energy sector.

Russia as an energy producing country has some unique characteristics, which considerably strengthen its position in the world markets. These characteristics are (Mane-Estrada, 2006: 3778–9):

- a) Russia not only pumps and exports oil and gas, but it also refines and processes them and is present in different markets thanks to its geography and centralized and wide network of oil and gas pipelines. This enables Russia to cover an area spanning from Europe to the Far East and from the Mediterranean to the Indian and Pacific Ocean.
- b) Russia also has its own integrated and vertically developed oil companies, which are capable not only of developing their own capabilities, but also of investing abroad.
- c) Russia is also a relatively developed industrialized country with quite a strong non-energy industrial base.
- d) Increasing demands for oil and gas in different parts of the world lead to an even stronger position for Russia as an energy-producing country.

The Russian energy sector also faces many challenges and dilemmas. One of them is the problem of double pricing the export and home use of gas and oil, which lowers the incomes of the Russian energy sector. The unfinished transition from command to market economy and non-transparent privatisation put additional pressure on the sector. There is also the problem of internal political unwillingness to allow foreign investments; further, in the last few years we have witnessed some kind of a renationalisation of the energy sector and the political pressure to control state energy resources with the help of a loyal managerial elite. All of the abovementioned problems limit the transfer of know-how and slow the development of the energy sector. The lack of a clear and transparent legal framework is also an important disadvantage for further development. In spite of all these problems Russia remains the second largest

oil and first gas producing country in the world, which in addition possesses one of the world's biggest known deposits of oil and gas (Johnson, 2005: 266–71). Because of this, Gazprom, a Russian natural gas monopolist, has become one of the biggest energy companies with ambitions to spread its operations into the EU, which causes additional problems in the EU-Russia relations (see Spajner, 2007: 2892). The EU sees Gazprom as a threat to its energy market and demands from Russia the division of Gazprom and liberalization of the gas industry. However, Russia refuses to lose this increasingly important tool of its foreign policy.

The question of transport routes is an open issue in EU-Russia relations and an area of cooperation which could be seen as a power play between entities. Paradoxically, opposing interests in the transit countries are the main cause of energy related tensions between the EU and Russia. This was especially obvious after the orange revolution in Ukraine and the gas war which followed. As mentioned before, the last gas war proved that energy can become an important foreign policy issue in EU-Russia relations, especially since there are more and more indicators that energy is becoming a tool or an instrument of Russian foreign policy not only towards Ukraine and transit states in general, but also in relations with the EU. In response to transit difficulties Russia started seeking solutions to this problem, beginning the construction of new alternative pipelines to the EU and the Far East. The most important pipeline projects to Europe are the Northern Stream under the Baltic Sea and the South Stream under the Black Sea and across the Balkans, which will enable Russia to bypass unfriendly transit countries and export gas directly to western markets. What is astonishing is the fact that these projects are based more at a bilateral level than at an EU level. Russia has succeeded in persuading individual EU member states to deal with their energy security issues in bilateral relations with Russia, and in this way it has hampered EU level efforts to create a common EU energy policy towards energy-supplying countries.

Even though the above bilateral agreements are not problematic from a legal point of view, they are problematic from the point of view of EU interests in energy security. These bilateral agreements are becoming an ever-increasing obstacle in the forming of a common EU energy policy, especially with Russia, since Russia is conditioning the construction of the pipelines with certain demands, which tend to be a breach of EU legislation (*aquis communautaire*). We can understand that the EU Member Countries wish to ensure their energy security, but these agreements are frequently concluded at the expense of common EU energy policy. German and Italian and to a certain extent Hungarian and Bulgarian activities in this regard can be described as typical, and common to almost all EU member states (Baillie, 2006). In all countries energy markets are dominated by national energy suppliers. The German E.ON and the Italian ENI are both working closely with the Russian

Gazprom (E: ON North stream; ENI South Stream), since they are trying to ensure their market positions and business outcomes are as good as possible, and they see cooperation with Gazprom as a good business opportunity and as a way to ensure a stable and reliable energy supply. In spite of the fact that this, in the short term, creates monopolistic or semi-monopolistic markets with relatively high levels of stability and good economic outcomes for involved companies, it is damaging in the long run. Because this practice is undoubtedly damaging to the common EU energy strategy, it limits the choices of other Member States and makes the EU more exposed to different external pressures. In this respect the supply-cut in January 2009 was a grim sign of things to come in the future. This is why EU member states should learn from the last gas war and should take measures to diversify sources of energy supply on the one hand and to strengthen the robustness of the EU energy market on the other. In this time of recession the EU should consider building a network of gas and oil pipelines which would enable all EU member states to access energy sources available within the frame of the EU. We should interconnect national gas and oil pipelines in a common EU network, which would lower the energy dependence and vulnerability of many EU members. At the same time all EU members should provide themselves with robust and substantial energy reserves which could supplement this gas and oil pipeline network in a time of crisis.

In addition, we should not forget that the EU is involved in an energy race for access to Caspian and Central Asian energy sources (Kimmage, 2006). This is becoming an area where a new Great Game is taking place, as this area possesses an estimated 5 per cent of world oil and gas reserves (Johnson, 2005: 274). These reserves would be sufficient for the EU to be completely independent of Russian or Middle East oil for almost 70 years (Forsythe, 1996: 6). The race is even tougher because Russia perceives this area as a vital strategic interest over which it must exercise direct or indirect control. Russia will try by any means possible to prevent the influx of western influence into the region, or at least to minimize EU and US influence and to strengthen its control over oil and gas exports from both regions. For Russia this is evidently a power game and the West, not only the EU, should learn a lesson from the last episode with Manas airbase in Kyrgyzstan. At the moment the race to gain access to Central Asian resources is fiercest between Russia and the US, but China is also joining them from the other geographical side. In this respect the EU is losing this race even though a non-Russian pipeline from Central Asia is of vital importance for EU energy security. We should be aware of the fact that once the Russian controlled pipeline network is open, there will be neither political nor economic interest in EU pipeline projects. The EU should pursue its own interests in the region by promoting cooperation and stability, but should also act more actively and with far more determination, since the results of this game

will determine the development of energy markets in the foreseeable future.

Conclusion

We can conclude that even if EU-Russia relations are influenced by a high level of interdependence, this does not necessarily indicate harmonious relations. Since Russian foreign and energy policy is becoming more and more similar to the realistic scenario and Russian energy development to a mix of the *Russian bear* and *Kuwaitization* scenarios with elements of *Rent seeking* scenario, the EU should definitely establish its own clear and far-reaching strategy of relations with Russia, with a special emphasis on energy security. The EU should try to form a common policy towards Russia that would bring national policies and the existing common EU policy closer together, which is important for EU-Russia relations and cooperation. It is vital for the EU to be uniform in its response to Russian pragmatic foreign policy. Member States should forget their sometimes egoistic short-term interests for the sake of common long-term beneficial results. This does not mean that the EU should ignore Russian interests; on the contrary, it should take Russian interests into account, but it should also clearly present its own interests to Russia. In other words, we should tell Russia where the line we are not willing to cross is. Furthermore, the EU should be more active and interest-driven in obtaining access to dispersed energy sources. This does not necessarily mean entering into conflicts with other states, but we should not let other countries gain monopolies over energy sources vital for the future of the EU in the field of energy. In this respect the EU should use mainly its “soft” power and the prestige it enjoys in those parts of the world. The long-term strategic optimum for the EU would be a geo-energy common space in which all major energy producers relevant for the EU would be included; all transit states and also all consumer states. In this way unproductive tensions could be avoided and everyone involved would benefit. Since, however, this is only possible on a long-term basis, in the short term the EU should be more egoistic in securing its own energy security than it currently is.

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